



## **Irish Taxation Institute**

### **Five Initiatives for Economic Recovery**

#### **Budget April 2009**

The Irish Taxation Institute (ITI) is a centre for thought leadership and is a balanced and authoritative voice on tax policy matters.

In considering tax policy, Ireland is faced now with a significant challenge - addressing the very serious and growing budgetary deficit while not eroding the competitive strengths of our economy. ITI has consistently advocated the pursuit of a tax policy that provides certainty to taxpayers, is implemented in a fair and proportionate manner and supports the retention and creation of employment.

Here we present five key initiatives in advance of the 7 April Budget.

#### **1. Control public expenditure under a three year policy programme**

To the extent that taxes are increased to address the Exchequer deficit, these increases should be matched, euro for euro, with reductions in public expenditure. A clear three year tax policy programme that delivers a stable tax system, and supports job protection and economic recovery is required.

#### **2. Progressive taxes which do not impede productivity**

It is essential that we develop and maintain a simple and sustainable basis for taxing individuals.

- Levies<sup>1</sup> should be phased out and integrated with income taxes.
- The most pragmatic way to raise personal taxes in 2009 is through a temporary income levy<sup>2</sup>. However, such a levy should be integrated into the income tax system from 1 January 2010.
- Where increased personal taxes are required, these should be progressive and should be applied in a manner which broadens the tax base. Personal taxes should not be increased to rates which could deter taxpayers from increasing productivity.

- Once we emerge from the current economic difficulties our focus should be on low marginal tax rates and a further broadening of the tax base.

### **3. Job retention**

To assist employers with job retention a double tax deduction for staff costs and a reduction in employers' PRSI costs should be introduced subject to employers maintaining certain staff levels.

### **4. Pensions**

No changes should be made to the current tax measures that encourage taxpayers to provide for their pensions. Now is not the time to remove any assistance to taxpayers to fund their own pensions, thereby reducing the future burden on the State.

### **5. BES/Seed Capital**

The Business Expansion Scheme (BES) and Seed Capital Scheme (SCS) have the potential to support the maintenance and creation of jobs. They should be simplified and broadened in their scope.

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<sup>1</sup> Levies may include the income levy, car park levy, second home levy and health levies

<sup>2</sup> Due to the administrative difficulties of adjusting income tax rates and credits in the middle of a tax year